

## Message Text

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11  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-05 L-01 ACDA-05

NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 SS-15 NSC-05 /059 W  
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R 311835Z OCT 74  
FM USMISSION NATO  
TO SECSTATE WASHDC 8546  
SECDEF WASHDC  
INFO ALL NATO CAPITALS 4599  
CINCEUR  
CINCLANT  
CINCUSAFE  
CINCUSAREUR  
USLOSACLANT  
USNMR SHAPE

S E C R E T SECTION 1 OF 2 USNATO 6089

E.O. 11652: GDS  
TAGS: MPOL, NATO  
SUBJECT: DRC MEETING OCTOBER 30: MINISTERIAL RESOURCE  
GUIDANCE

REF: A. USNATO 6010; B. USNATO 5940; C. USNATO 5882

SUMMARY. DURING OCTOBER 30 DRC MEETING, FRG REP TABLED REVISED  
ALTERNATIVE FOR DRAFT RESOURCE GUIDANCE; BELGIAN REP REQUESTED  
CHANGES TO EXISTING ALTERNATIVE I (REF B); AND CHAIRMAN AGREED  
TO CIRCULATE SUMMARY LIST OF RESOURCE GUIDANCE FACTORS CONSIDERED  
TO DATE. DRC WILL MEET NOVEMBER 7 AND 8 TO CONSIDER TWO REMAINING  
US KEY ELEMENTS (RELATIONSHIP BETWEEN RESOURCES AND STRATEGY,  
AND INCREASED EFFICIENCY THROUGH RATIONALIZATION OF FORCES, ETC),  
WARNING TIME, AND DURATION OF WAR. END SUMMARY.

1. DURING OCTOBER 30 DRC DISCUSSION OF MINISTERIAL RESOURCE  
GUIDANCE, FRG REP (FINANCIAL ADVISOR MASSBERG) TABLED REVISED  
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FRG ALTERNATIVE ON RESOURCES. FRG DISTRIBUTED FOLLOWING  
MEMORANDUM ON PROPOSAL PRIOR TO MEETING.

BEGIN TEXT:

SUBJECT: RESOURCE GUIDANCE

1. WITH REFERENCE TO THE LAST MEETING OF THE DEFENCE REVIEW COMMITTEE OF 15 OCTOBER 1974 THE GERMAN DELEGATION WOULD LIKE TO MAKE CLEAR ITS POSITION ON THE QUESTION OF THE FINANCIAL AND ECONOMIC RESOURCES.

WE SUGGEST THAT PARAGRAPH 37 (B) AND (C) OF DOCUMENT DRC/WP(74)14 BE WORDED AS FOLLOWS:

(B) THOSE COUNTRIES WHICH DEVOTE A SMALLER PROPORTION OF GNP TO DEFENCE SHOULD EITHER TRY TO REACH A SHARE OF 4.22 PER CENT OR TO SPEND A PER CAPITA AMOUNT ON DEFENCE WHICH IS NOT INFERIOR TO 200 US-\$ RELATED TO 1974.

(C) COUNTRIES WILL ENDEAVOUR TO KEEP THEIR DEFENCE EXPENDITURES IN REAL TERMS AT LEAST AT THE SAME LEVEL.

AN ADDITIONAL SUB-PARAGRAPH "D" SHOULD BE INSERTED, READING AS FOLLOWS:

(D) IN VIEW OF THE FACT THAT THE YARDSTICK FOR THE ASSESSMENT OF DEFENCE EFFORTS ESPECIALLY CONSISTS IN THE INVESTMENT LEVEL PER SOLDIER, THEY WILL ENDEAVOUR TO INCREASE THEIR INVESTMENT EFFORTS.

2. THIS PROPOSAL IS BEING MADE IN THE LIGHT OF THE EXCHANGE OF LETTERS BETWEEN THE GERMAN MINISTER OF DEFENCE, MR. LEBER, AND THE SECRETARY GENERAL OF NATO, MR LUNS, DISTRIBUTED UNDER REFERENCE PO/74/111 OF 6 AUGUST 1974. AS INDICATED IN MR. LEBER'S LETTER OF 8 JULY 1974, AN APPRECIATION OF THE DEFENCE CONTRIBUTION OF MEMBER COUNTRIES CANNOT ONLY BE MADE ON THE BASIS OF THE PROPORTION OF DEFENCE EXPENDITURES TO THE GNP BUT SHOULD ALSO TAKE INTO ACCOUNT THE ACTUAL DEFENCE EFFORT BY EACH COUNTRY. THIS MEANS THAT IN ADDITION TO THE RELATIVE ELEMENT OF DEFENCE EXPENDITURES AS  
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A PERCENTAGE OF THE GNP, AN ABSOLUTE FIGURE SHOULD BE TAKEN INTO ACCOUNT TO ARRIVE AT A PROPER EVALUATION OF THE RESPECTIVE DEFENCE EFFORT.

IN THE CONTEXT OF THE MINISTERIAL GUIDANCE TO THE NATO MILITARY AUTHORITIES IT IS THE OPINION OF MY AUTHORITIES THAT THE PER CAPITA DEFENCE EXPENDITURES WOULD BE AN APPROPRIATE ADDITIONAL YARDSTICK.

IT SHOULD BE UNDERSTOOD, HOWEVER, THAT THE OTHER POINTS RAISED BY MR. LEBER IN HIS LETTER ARE BEING FULLY MAINTAINED.

END TEXT.

2. FRG REP SAID GERMANS INCLUDED QUOTE INVESTMENT EVEL PER SOLDIER END QUOTE IN THEIR ALTERNATIVE TO EMPHASIZE NEED FOR EFFICIENT USE OF RESOURCES AND THAT THEY INCLUDED PREFERRED ANNUAL DEFENSE SPENDING PER CAPITA FACTOR OF 200 US DOLLARS TO OFFSET EXCESSIVE EMPHASIS THAT OTHER ALTERNATIVES PLACED ON GNP. UK REP (MACDONALD) ASKED WHETHER FRG INVESTMENT FACTOR INCLUDED RESEARCH AND DEVELOPMENT; FRG REP SAID YES.

3. BELGIAN REP (TAYMANS) SAID ALTERNATIVE I, PARA B (REF B) DID NOT REFLECT BELGIAN POSITION AND ASKED THAT DRC REVISE PARAGRAPH TO READ QUOTE COUNTRIES WHICH DEVOTE A LESSER PERCENTAGE OF GNP TO DEFENSE THAN 4.2 PERCENT INCREASE THIS FIGURE PROGRESSIVELY TO REACH NATO EUROPE AVERAGE BY 1982, INCREASING, IN ANY CASE, DEFENSE EXPENDITURES BY 3 TO 5 PERCENT IN REAL TERMS ANNUALLY END QUOTE.

4. NETHERLANDS REP (CARSTEN) SAID HIS AUTHORITIES STILL PREFERRED ALTERNATIVES BASED ON ANNUAL REAL INCREASES IN DEFENSE SPENDING, BUT SUGGESTED THAT DRC REPLACE WORDS QUOTE MAJOR EQUIPMENT AND AMMUNITION END QUOTE IN US AND ITALIAN PROPOSALS (REFS A AND B) WITH QUOTE INVESTMENT EFFORTS END QUOTE.

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NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 SS-15 NSC-05 /059 W  
----- 078095

R 311835Z OCT 74  
FM USMISSION NATO  
TO SECSTATE WASHDC 8547  
SECDEF WASHDC  
INFO ALL NATO CAPITALS 4600  
CINCEUR  
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5. SACLANT REP (CAPT MAYO), SUPPORTED BY UK, ITALIAN (MACCHIAVELLI) AND FRG REPS, URGED THAT FINAL RESOURCE GUIDANCE PROVIDE FIRM MONETARY LIMITS SO MAJOR NATO COMMANDERS (MNCS) COULD DEVELOP

FORCE PROPOSALS NOT EXCEEDING NATIONAL DEFENSE BUDGETS. ITALIAN REP SAID MINISTERS WOULD HAVE TO DECIDE WHETHER THEY PRIMARILY INTENDED RESOURCE GUIDANCE TO EMPHASIZE NEED FOR INCREASED NATIONAL DEFENSE SPENDING OR TO SERVE AS MONETARY LIMITS FOR MNC FORCE PROPOSALS. HE EXPRESSED FEAR THAT NATIONS WOULD SELECT RESOURCE GUIDANCE ALTERNATIVE WHICH REQUIRES LEAST FINANCIAL SACRIFICE AND FRANKLY CITED ITALIAN ALTERNATIVE AS POSSIBLE QUOTE WINNER END QUOTE.

6. CHAIRMAN HUMPHREYS SAID DRC HAD DISCUSSED FOLLOWING BASIC FACTORS FROM WHICH MINISTERS COULD CHOOSE IN FINALIZING RESOURCE GUIDANCE:

A) ALL NATIONS MAINTAIN EXISTING FORCE STRUCTURES

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B) NATIONS SPENDING HIGHER PERCENTAGE OF GNP ON DEFENSE THAN CURRENT NATO-EUROPEAN AVERAGE MAINTAIN THAT LEVEL

C) NATIONS SPENDING LESS THAN CURRENT AVERAGE PROGRESSIVELY INCREASE DEFENSE SPENDING/GNP RATION TO 4.2 PERCENT

D) NATIONS MAINTAIN EXISTING SPENDING LEVELS IN REAL TERMS BY COMPENSATING FOR INFLATION

E) NATIONS INCREASE REAL SPENDING LEVELS BY ANNUAL 3 TO 5 PERCENT

F) NATIONS MAINTAIN (OR INCREASE BY SOME RECOMMENDED PERCENTAGE) EXISTING PROPORTIONS OF BUDGET SPENDING FOR CAPITAL EQUIPMENT

G) NATIONS INCREASE INVESTMENT LEVELS PER SOLDIER

H) NATIONS ANNUALLY SPEND 200 US DOLLARS PER CAPITA ON DEFENSE

HUMPHREYS AGREED TO CIRCULATE REFINED VERSION OF ABOVE FACTORS AND INDICATE, WHERE POSSIBLE, SPECIFIC ALLIES SUPPORTING EACH.

7. US REP (DR. LEGERE) SUGGESTED DRC NEXT DISCUSS TWO KEY ELEMENTS PREVIOUSLY INTRODUCED BY US (RELATIONSHIP BETWEEN RESOURCES AND STRATEGY AND INCREASED EFFICIENCY THROUGH RATIONALIZATION OF FORCES, ET., REF C) AND AGREED TO CIRCULATE SUMMARY VERSIONS OF US POSITIONS ON THESE ITEMS. HUMPHREYS SAID DRC WOULD MEET AT LEAST TWICE MORE (IS SUBSEQUENTLY SCHEDULED MEETINGS FOR NOVEMBER 7 AND 8 TO DISCUSS TWO US KEY ELEMENTS AND RECONSIDER WARNING TIME AND DURATION OF WAR. HE SAID TIME CONSTRAINTS REQUIRED THAT DRC TEMPORARILY PLACE CHARACTERISTICS OF FORCES AND PRIORITIES KEY ELEMENTS IN QUOTE DEEP FREEZE END QUOTE.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 11 JUN 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 31 OCT 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974ATO06089  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** 11652 GDS  
**Errors:** n/a  
**Film Number:** n/a  
**From:** NATO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19741091/abbrfyfq.tel  
**Line Count:** 218  
**Locator:** TEXT ON-LINE  
**Office:** n/a  
**Original Classification:** SECRET  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** n/a  
**Reference:** A. USNATO 6010; B. USNATO 5940; C. USNATO 5882  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** garlanwa  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 10 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <10 APR 2002 by kelleyw0>; APPROVED <25-Oct-2002 by garlanwa>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DRC MEETING OCTOBER 30: MINISTERIAL RESOURCE GUIDANCE  
**TAGS:** MPOL, NATO  
**To:** STATE  
SECDEF INFO ALL NATO CAPITALS  
CINCEUR  
CINCLANT  
CINCUSAFE  
CINCUSAREUR  
USLOSACLANT

USNMR SHAPE

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005